



California Public Utilities Commission

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PRESS RELEASE

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CPUC PLEASSED WITH FERC JUDGE DECISION IN ENERGY CRISIS CASE; SELLERS FACE BILLION DOLLAR REFUND OF OVERCHARGES DURING SUMMER OF 2000

SAN FRANCISCO, February 19, 2013 - The California Public Utilities Commission (CPUC) today said that an Administrative Law Judge at the Federal Energy Regulatory Commission (FERC) last Friday issued a sweeping “initial decision” finding more than a dozen electricity wholesalers guilty of market manipulation in the summer of 2000, when California suffered the highest electricity prices in history. If the Administrative Law Judge’s decision is adopted by FERC, the sellers will face a collective refund obligation in excess of a billion dollars.

“We are very grateful to the judge for his thoughtful and objective analysis that finally vindicates California’s legal claims on behalf of ratepayers,” said CPUC President Michael R. Peevey. “This case was an uphill battle for the CPUC and its allies. It took a lot of tenacity to achieve this victory before FERC, on behalf of California consumers.”

If the Administrative Law Judge’s decision is adopted by FERC, it is expected to yield nearly \$1 billion in refunds, plus another \$600 million in accumulated interest. Once paid, refunds would be passed on to consumers as an offset against current electric bills.

During the catastrophic summer of 2000, California suffered record-breaking high prices for electricity as well as rolling blackouts and other system emergencies. The extremely high prices in the wholesale electricity market eventually drove the state’s two largest utility companies into insolvency and forced the state to step in to purchase billions of dollars in electricity to keep the lights on in California.



In June 2001, FERC issued orders imposing a cap on the prices sellers could charge and the crisis eventually subsided. FERC also found that ratepayers were owed refunds for overcharges during the fall of 2000 - covering the period after the complaint was filed. But FERC initially denied California's request for relief for overcharges that occurred during the summer of 2000 despite evidence that numerous sellers, led by Enron, had engaged in a variety of manipulative practices that summer to force electricity prices in the wholesale markets to record-breaking levels. The CPUC and other California parties, including the Attorney General, appealed FERC's decision denying relief to the U.S. Court of Appeals for the Ninth Circuit. That Court in 2006 ordered FERC to examine evidence of overcharges during the summer of 2000.

Friday's initial decision by a FERC Administrative Law Judge is the culmination of these additional evidentiary procedures. Following a months-long trial last year, the Administrative Law Judge found that a group of more than a dozen electricity sellers engaged in a variety of illicit market gimmicks, many of which had the effect of artificially inflating the energy prices in California's wholesale electricity markets. The initial decision sets out a method of computing the overcharges to be refunded to consumers that, if adopted by FERC, will impose on the sellers a total refund obligation of approximately \$1.6 billion including interest. The Administrative Law Judge's initial decision is limited to sales of electricity by the wholesalers during the summer of 2000. The Administrative Law Judge also found the sellers liable for another \$90 million in overcharges for certain limited sales during the fall of 2000.

The Administrative Law Judge named the sellers he found to have manipulated the markets, including by scheduling false "exports" of power from California that was then sold back "into" California at inflated prices. The manipulators include Powerex, a wholly-owned subsidiary of British Columbia-based BC Hydro; Shell Energy North America, a wholly-owned subsidiary of Shell Oil; TransAlta Corporation, an energy company based in Alberta, Canada; and the Bonneville Power Administration, an arm of the U.S. Department of Energy that operates a series of major hydroelectric dams on the Columbia River.

"We've been saying for years that California was victimized by rampant manipulation, not just by Enron but by many other electricity sellers as well," said CPUC Commissioner Mike Florio. "It

warms my heart to see this ‘guilty’ verdict from an impartial judge, and to consider the fact that as a result we now stand to win back more than a billion dollars for consumers. This money was stolen from ratepayers in California by a bunch of sellers who conducted business like pirates.”

Still pending before FERC are several additional cases involving other sales of electricity during the Energy Crisis, after the summer period. One of those cases, concerning sales during the winter and spring of 2001, is scheduled for trial before a different FERC Administrative Law Judge in April. Overcharges that winter and spring, largely from a subset of the same group of sellers named in Friday’s initial decision, would add as much as another billion dollars to their pre-interest refund obligation, if the Administrative Law Judge in that case were to rule in California’s favor.

CPUC President Peevey said, “We have been relentless in our pursuit of economic justice for Californians who were grievously overcharged for electricity during and after the Energy Crisis of 2000-2001. We look forward to the day when all of these cases can come to a close and consumers can see the benefit of refunds of the overcharges.”

President Peevey also emphasized that more than 30 other sellers previously have reached settlements with California, before Friday’s decision. The repayments to consumers under these prior settlements have totaled more than \$3 billion. President Peevey challenged the more than dozen sellers named in Friday’s decision to sign up for similar settlements.

The initial decision is available at

http://elibrary.ferc.gov/idmws/file_list.asp?accession_num=20130215-3025.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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